



Collaborative Commissioning

Thinking differently about
commissioning public services



AUTHORS

This discussion paper was written by Kevin Robbie and Emma Hutton.

Kevin Robbie

Development Advisor, Forth Sector

Kevin Robbie is the former Chief Executive of Forth Sector and is currently seconded to the Office of the Third Sector as a Social Enterprise Advisor where he is leading work on developing approaches to measuring social impact.

Kevin has worked for Forth Sector for over 10 years. His role has been varied including business development, strategic planning, tendering for contracts, setting up transitional employment initiatives as well as sharing expertise in social enterprise development with other organisations throughout the UK and Europe.

Kevin has also held Board positions with the Scottish Social Enterprise Coalition and Social Firms Scotland.

Emma Hutton

Associate Consultant, Forth Sector Development

Emma has worked in Scotland's third sector in a variety of roles. In 2004, she led the start-up of the Scottish Social Enterprise Coalition, a membership and lobbying organisation for the sector, helping to secure Scottish Government commitment, for the first time, to supporting social enterprise through a national strategy. Moving into frontline business development, she led the development of social enterprises for Edinburgh Cyrenians, with the aim of creating employment opportunities for people moving out of homelessness. Emma currently works on an ad-hoc basis for Forth Sector Development as an Associate Consultant.

Emma studied Social Policy and Politics at Edinburgh University, where her dissertation was titled "Contract Culture Shock? The impact of the market of social care on local voluntary organisations." She began her career with the Community Fund (now the Big Lottery Fund) advising third sector organisations on funding, project planning and organisational development.

CONTENTS

1	Introduction	1
2	Background	2
2.1	The importance of public services	2
2.2	Policy developments	2
2.3	The third sector	3
2.4	Companion publications	4
3	Commissioning Principles and Practice	6
3.1	Commissioning and procurement	6
3.2	Goods and services	6
3.3	The commissioning cycle	7
3.4	Principles of good commissioning	8
3.5	Collaborative commissioning	9
4	Development Partnerships	11
4.1	What is a Development Partnership?	11
4.2	When can this approach be used?	11
4.3	How do Development Partnerships work in practice?	12
4.4	What are the potential advantages?	13
4.5	What are the potential disadvantages?	13
4.6	What factors will influence success?	13
5	Multiple Outcomes Commissioning	14
5.1	What does Multiple Outcomes Commissioning mean?	14
5.2	When can this approach be used?	14
5.3	How does Multiple Outcomes Commissioning work in practice?	15
5.4	What are the potential advantages?	15
5.5	What are the potential disadvantages?	15
5.6	What factors will influence success?	16
6	Partnership Purchasing	17
6.1	What does Partnership Purchasing mean?	17
6.2	When can this approach be used?	17
6.3	How does Partnership Purchasing work in practice?	18
6.4	What are the potential advantages?	19
6.5	What are the potential disadvantages?	19
6.6	What factors will influence success?	19
7	Public Social Partnerships	20
7.1	What is a Public Social Partnership?	20
7.2	When can this approach be used?	20
7.3	How do Public Social Partnerships work in practice?	21
7.4	What are the potential advantages?	24
7.5	What are the potential disadvantages?	24
7.6	What factors will influence success?	24
8	Closing Comments	25

CHAPTER 1

INTRODUCTION

Collaborative Commissioning is a discussion paper. It explores the potential for public sector agencies to think differently about how to commission services for people. It suggests several new approaches to commissioning, based on the principle of collaboration, and focuses on getting the best possible outcomes for the people directly affected by services.

Collaborative Commissioning is part of a suite of publications aimed at increasing the role played by social enterprises and other third sector organisations in the delivery of public services. The approaches suggested in this paper would all lead to a crucial and growing role for the third sector, working closely with service commissioners as partners in delivery.

There are many things to think about when it comes to commissioning services differently. The approaches suggested here are formative ideas or are at an early stage of practical development. Some of what we say may seem unrealistic or impractical but the purpose of this report is not to be a 'how to' guide, rather, we hope it will be a 'starter for ten' for stimulating innovation within the public sector while encouraging commissioners to think differently about how they can help to realise the Scottish Government's vision of world-class public services for Scotland's citizens.

Collaborative Commissioning was commissioned by the EQUAL Social Economy Scotland Development Partnership in partnership with the Scottish Government Third Sector Division. *Collaborative Commissioning* is structured as follows:

Chapter 2 provides background information about the policy context for public services and the third sector.

Chapter 3 gives an overview of commissioning principles and practice.

Chapters 4 to 7 explore four different new approaches to commissioning public services.

Chapter 8 provides closing comments.

CHAPTER 2 BACKGROUND

This chapter provides background information about the policy context for public services and the third sector.

2.1 The importance of public services

The Scottish Government, elected in May 2007, has set a clear purpose for its programme of policies and spending:

“To focus Government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.”¹

Within this overall purpose, the Government has established strategic objectives of making Scotland wealthier and fairer, healthier, safer and stronger, smarter and greener. All Government spending and all public services will be expected to demonstrate impact against these strategic objectives.

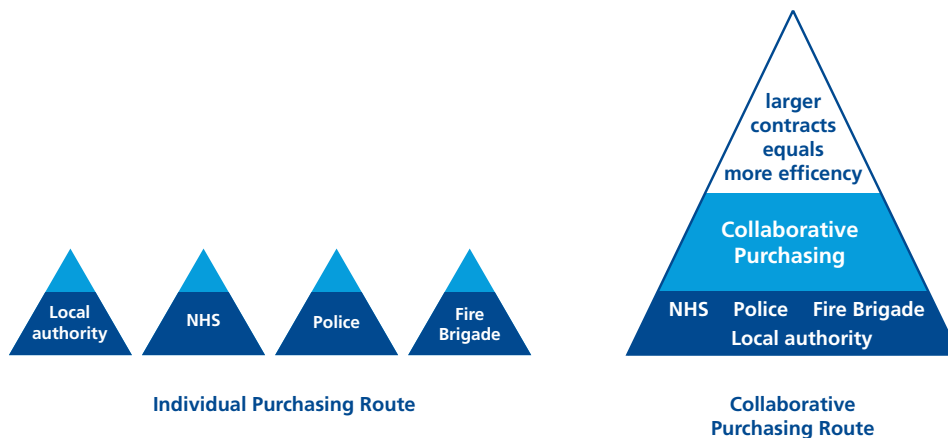
The public sector in Scotland spends approximately £8 billion each year on goods and services. Improving the way in which these goods and services are commissioned and procured is a key concern for the Government as it seeks to further its strategic objectives.

2.2 Policy developments

In recent years, a number of significant policy developments have driven change in the commissioning and procurement of public services within Scotland:

The Review of Public Procurement in Scotland (the McClelland Review)²

The McClelland Review highlighted inconsistencies in procurement practice across the Scottish public sector. The review made a number of recommendations to increase transparency, to improve innovation and, when appropriate, to consolidate buying practices through greater collaboration between public sector bodies.



¹ The Government Economic Strategy, Scottish Government, 2007

² The Review of Public Procurement in Scotland, McClelland J., Crown Copyright 2006, ISBN 0-7559-4999-4 (available at www.scotland.gov.uk)

The Scottish Government is utilising a Public Procurement Reform Board to oversee the successful implementation of actions to improve performance. It has also established a Public Procurement Advisory Group, composed of business and third sector organisations, with which the Reform Board liaise about the effect of changes in public procurement policy and practice upon suppliers.

Best Value and Community Planning

Best Value and Community Planning are intrinsic to the Local Government in Scotland Act (2003). This placed a duty upon local authorities to secure continuous improvement in performance and work with other public agencies, together with communities, to plan and deliver better local services.

The Public Contracts (Scotland) Regulations 2006

These regulations take account of the new EU Services Directive and have had considerable implications for procurement. The Directive sets out clear guidance on the requirement for the public sector to advertise tender opportunities for works, goods and services across the European Union. It has clarified a set of technical standards for use across the EU, and requirements for objective and open criteria for the evaluation of tenders and the selection of contractors. The Directive gives direction about when and how public contracts might take account of social and environmental considerations as part of this process. The Scottish Procurement Directorate has published guidance on community benefits within procurement.³

2.3 The third sector

Social enterprises and other third sector organisations are seen as a key partner in helping the Government to deliver vital public services. Their ability to innovate and to deliver services closely in line with the needs of some of Scotland's most vulnerable communities has been acknowledged and valued by Government policy.

Third sector organisations have played an important role in delivering public services for many years. This work has traditionally been undertaken through grant-funded arrangements, voluntary activity, service level agreements and partnership working. However, there has been a gradual change in the past two decades in the funding relationship between the two sectors. Increasingly the relationship has changed from grant giver and grant recipient to purchaser and supplier. The third sector has become a significant supplier of public services in many areas.

This changing role and relationship has led to a need to improve practice in commissioning services. It has also led to a need to improve the interaction between front-line service commissioners and procurement support. Issues around contract length, full cost recovery and measuring social impact have all become important for both public sector commissioners and third sector providers.

³ Community Benefits in Public Procurement, Scottish Government, 2008, ISBN 978 0 7559 5612 8 (www.scotland.gov.uk)

The Scottish Government, through the Government Economic Strategy,¹ recognises the third sector's contribution to building a more successful country through providing opportunities for all to contribute to economic growth, creating employment in disadvantaged communities, through providing services and through promoting economic growth and environmental responsibility as mutually advancing.

This guide is part of a suite of publications being produced by *Social Economy Scotland*, a Development Partnership funded by the European Union's EQUAL programme.

Social Economy Scotland works to support the third sector to increase its role in the delivery of innovative, high quality services, thereby enhancing its contribution to community regeneration, sustainable economic development and labour market integration in Scotland.

To support this aim, *Social Economy Scotland* funded a range of pilot projects under the following themes:

- Partnership and Procurement
- Access to Finance
- Quality and Impact
- Business Development
- Raising the Profile

The Social Economy Scotland Development Partnership involves:

- Careers Scotland
- Communities Scotland (Scottish Centre for Regeneration)
- Forth Sector
- Highlands and Islands Enterprise
- North Lanarkshire Council
- Scottish Council for Voluntary Organisations (Lead partner)
- Scottish Enterprise
- Scottish Government (Third Sector Division)
- Scottish Social Enterprise Coalition
- Social Firms Scotland
- Social Investment Scotland
- Volunteer Development Scotland

For more information see www.socialeconomyscotland.info

2.4 Companion publications

This report is one of a series of publications produced by *Social Economy Scotland*. These are:

Tendering for Public Sector Contracts

A practical guide for social enterprises and other third sector organisations that want to understand the procurement process and increase their skills when tendering.

Better Value

Part 1: Purchasing public services from the social economy and

Part 2: The social economy delivering public service contracts

These guides are aimed at the public sector and demonstrate the advantages of contracting with the social economy. Part 2 provides a series of case studies.

Developing consortia

This guide is for social enterprises and other third sector organisations aiming to develop consortia to deliver public services.

Commissioning Public Services

A practical guide aimed at frontline service commissioners and procurement officers who are involved in the design of service specifications and contracts. The guide is based around the principles of good commissioning when purchasing services for service users.

Making the Case: Social Added Value Guide

This guide stresses to social enterprises and third sector organisations the importance of proving their social added value and describes some of the tools that can be used to measure this.

Investing in Impact: Developing Social Return on Investment

This report outlines the lessons learned from using Social Return on Investment as an impact measurement tool for social enterprises and third sector organisations.

Buying for Good: Housing Associations, Social Firms and Community Benefits in Procurement

This guide shows Housing Associations how to use community benefit clauses in procurement and has a particular focus on contracting with Social Firms and other social enterprises.

All of these publications are available online at www.socialeconomyscotland.info

CHAPTER 3 COMMISSIONING PRINCIPLES AND PRACTICE

This chapter gives an overview of the principles and practice of commissioning public services.

3.1 Commissioning and procurement

These two terms are sometimes interchangeable, which can lead to confusion. For our purposes, we define them as follows:

- **Commissioning** is the strategic function of identifying priorities and outcomes, assessing the needs of people in an area or the requirement for goods or services by a public agency, allocating resources and then designing and securing the appropriate services.
- **Procurement** is the whole process of purchasing by the public sector from third parties covering goods, services and capital projects. The process spans the whole-life cycle from initial concept through to the end of the asset or the end of a services contract.

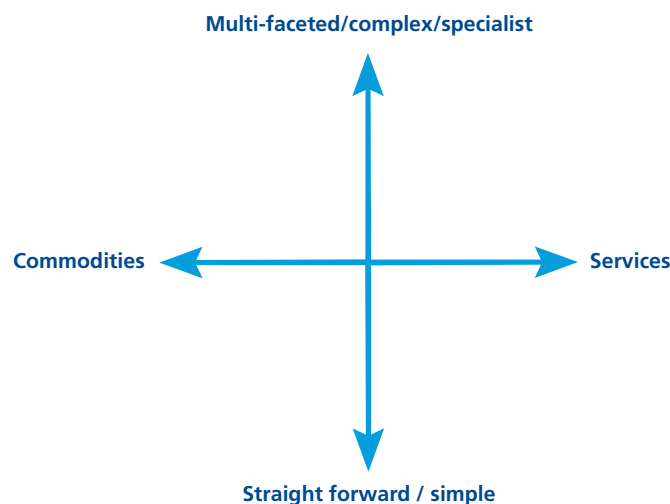
In this paper we focus on **new approaches to commissioning** rather than procurement. However we do recognise that there is a dynamic interaction between commissioning and procurement where procurement professionals actively support service commissioners to secure Best Value in goods and services.

3.2 Goods and services

The EU principles and directives combined with the UK key principles apply whether you are buying goods or commissioning services.

There are obviously areas that need to be thought through when you are faced with any purchasing or commissioning decision. It is stating the obvious to say that it is more complex to commission services for people (childcare, debt advice, healthcare services etc) than to buy commodities (stationery, electricity etc).

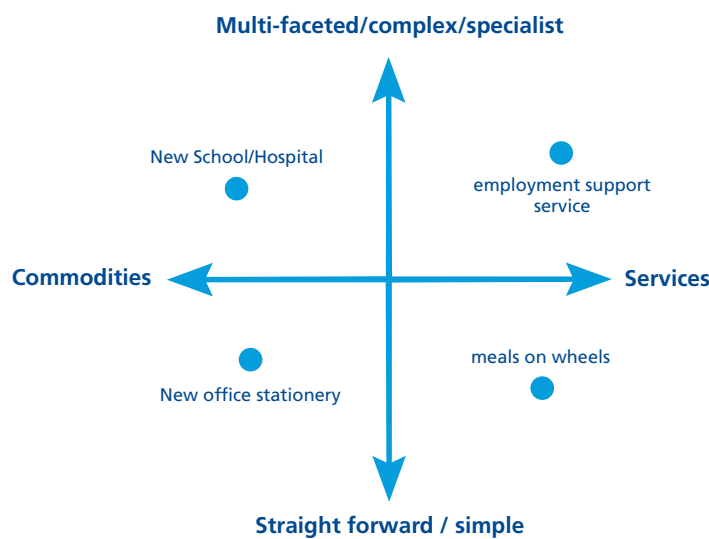
The diagram below illustrates a simple approach to decision making:



It is also stating the obvious to say that procuring a large-scale contract to build and resource a new hospital or school (upper left quadrant) requires a far higher level of sophistication in the procurement process than purchasing stationery for an office (bottom left quadrant).

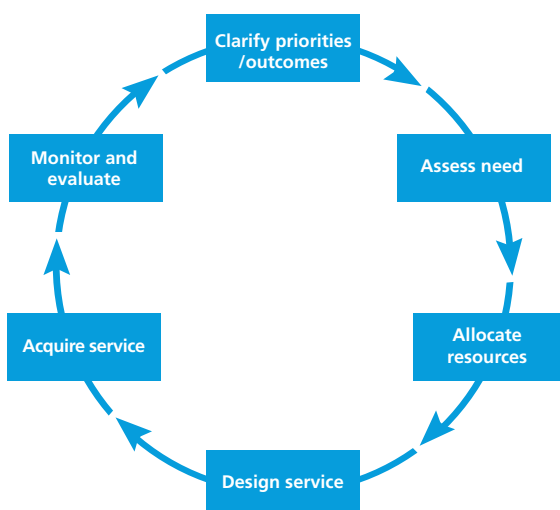
Correspondingly it requires more sophistication to commission an employment support service for people who are long-term unemployed, with multiple barriers to employment including health, offending behaviour and debt issues (top right quadrant) than to commission a meals on wheels service for people to remain within the community (bottom right quadrant).

Yet it is also the case that when commissioning services (right-hand quadrants) for people rather than goods or commodities (left hand quadrants) then you have to account for the 'people factor' which will mean that the commissioning process is more inter-personal. Because of this we believe that commissioning services requires an additional layer of principles to ensure good practice.



Our suggestions of new approaches to collaborative commissioning fall firmly into the upper right-hand quadrant of the above diagram.

3.3 The commissioning cycle



The commissioning cycle works as follows:

Clarify priorities/outcomes

Identify the impact that you wish to have in relation to your strategic objectives. *This will take account of the mission and key policy drivers within your organisation and will often mean looking more broadly than just the area of work that you are directly involved with.*

Assess need

Develop an understanding of the needs of service users and link this back to the outcomes desired for service delivery. *This will involve consultation with service users and organisations that advocate on their behalf. You will be seeking to understand 'how' you will know that the outcomes and impact you are looking for has been achieved.*

Allocate resources

Based on the outcomes sought and the assessed need, resources or a budget for the service should then be agreed. Initial targets will become clearer once the budget is agreed. *The process may require taking a step back if it is clear that your budget will not allow you to achieve the desired outcomes.*

Design service

Based on the outcomes sought and the assessed need, the best service available within resources should then be designed. *This may involve working in partnership with service delivery organisations to ensure innovation and best practice is taken into account. Using service delivery organisations at this stage will assist you in ensuring that the outputs required are achievable.*

Acquire service

An options appraisal could help decide how the service should be delivered. Purchasing the service through a competitive process – procurement – is often the best option in terms of securing Best Value. *At this point you will engage more fully with procurement professionals to follow an established process that will take account of Best Value, EU legislation and the procurement strategy of your organisation.*

Monitor and evaluate

Once your service delivery organization is in place then you will have to monitor and evaluate the service delivery, involving key stakeholders (particularly service users) as appropriate. *Monitoring and evaluation should be proportionate to the contract value and contract length to ensure value for money. Information gathered from the monitoring/evaluation process should help you redesign the service for any future tender.*

3.4 Principles of good commissioning

Good commissioning is driven by the vision of securing better outcomes for individuals and communities. To make this vision a reality, seven principles are embedded in good commissioning practice.⁴

- 1 Fully assess the range of stakeholders involved in any potential service delivery.
- 2 Consult with the stakeholders, including potential service users, their advocates and potential suppliers, around the aims they have and outcomes they require from the delivery of the public service.
- 3 Put outcomes for users at the heart of the strategic planning process and any subsequent service design.

⁴ These principles of good commissioning have been adapted from those developed by the Office of the Third Sector (Partnership in Public Services: An action plan for third sector involvement) and IDEA (www.idea.gov.uk). Development work carried out through the Social Economy Scotland Development Partnership 'Partnership and Procurement Thematic Board' honed this work to the above 7 principles.

- 4 Engage with the fullest practical range of potential suppliers well in advance of commissioning new services, working with them to identify potential innovation in service delivery and understanding the contribution they could make to delivering the outcomes sought.
- 5 Fully assess the impact of purchasing decisions, taking account of issues around sustainable development, corporate responsibility, contract length and community benefit.
- 6 Risk should be evaluated and rated in terms of likelihood and impact. Risk sharing should focus on achieving efficiency and effectiveness, with appropriate reward structures for risk management.
- 7 Seek feedback from service users, communities and providers in order to review the effectiveness of the commissioning process in meeting local needs.

3.5 Collaborative commissioning

The Scottish Government recognizes that to achieve world-class public services, commissioning needs to become stronger and more effective through the use of collaborative partnerships. However, tensions exist in public policy around what collaboration means in reality.

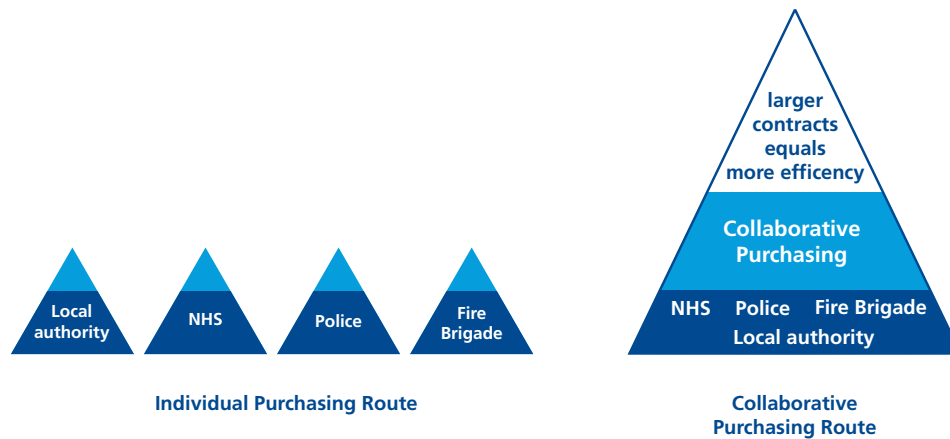
One of the main recommendations of the McClelland Review⁵ was that the public sector should co-operate in purchasing high value, nation-wide commodities. This would enable the public sector to benefit from improved usage of scarce procurement resources and greater purchasing power as a consequence of the combined value of their spend. Consequently a classification system has been introduced in order that procurement is managed over three levels.

- **Category A:** Nationally procured commodities and services across all of the public sector where a single interface facilitates efficiency and competitiveness of suppliers.
- **Category B:** Commodities and services procured on a sector-specific basis yet common within that sector.
- **Category C:** Commodities and services that are neither categorised as A (National Contracts) nor B (Sector Specific Contracts).
- **Category C1** – Local/Regional Contracts – where it is appropriate to consolidate requirements on a local or regional basis.

⁵ The Review of Public Procurement in Scotland, McClelland J., Crown Copyright 2006, ISBN 0-7559-4999-4 (available at www.scotland.gov.uk)

In response, national and sector specific 'Centres of Procurement Expertise' (CoEs) have been established to drive collaboration in the public sector. Procurement Scotland is the CoE for all Category A contracts, and there are 4 Category B CoEs (NHS National Procurement for the health sector, Advanced Procurement Universities & Colleges [APUC] for Higher and Further Education sector, Scotland Excel for local government and the Central Government Centre of Procurement Expertise [CGCoPE] for central government).

These changes have quite important implications for the manner in which purchasers and suppliers communicate and interact. Third sector organisations will need to take account of these new developments in terms of procurement, in the same manner as private sector companies might, in order to be able to compete effectively and win business.



At the same time, processes such as Community Planning place an emphasis on the design and delivery of services at a level **closer to the users of services**, often encouraging them to have an input into the priorities around design of local services, which often equate to Category C1 goods and services as defined above.

Similarly, the Government wants to increase the contribution made by third sector organisations in public service delivery. This implies commissioning services in a way that puts users of services at the heart of the process.

These different policy drivers may be having a 'push me-pull you' effect, placing pressure on service commissioners to make complex and multi-faceted purchasing decisions.

Experience from service providers points to a trend in commissioning where the recommendations of the McClelland Review have been interpreted to mean that all contracts for not only goods, but services for people, should be 'bulk bought' wherever possible. The principle of collaboration appears to have been interpreted purely as aggregated purchasing.

We believe, however, that it is possible to think about collaborative commissioning in a different way. By taking collaboration as a starting principle and combining it with a focus on achieving outcomes for people using public services, creative approaches to commissioning can emerge.

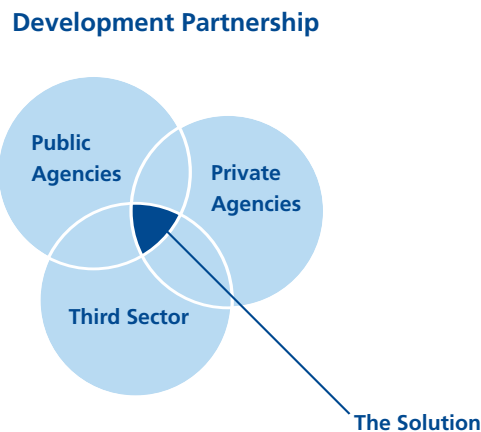
The remainder of this paper discusses four **new approaches to collaborative commissioning**:

- Development Partnerships
- Multiple Outcomes Commissioning
- Partnership Purchasing
- Public Social Partnerships

CHAPTER 4 DEVELOPMENT PARTNERSHIPS

4.1 What is a Development Partnership?

A Development Partnership is formed when a range of partners from different sectors come together to tackle problems through a long term, shared and strategic approach to identifying, testing, resourcing and rolling out new services.



4.2 When can this approach be used?

This approach suits situations where there is a problem without a clear solution. In these circumstances, it is not yet clear what kind of service will work best and therefore commissioners are unclear about what they want to buy. This type of situation can arise because the problem is particularly complicated or multi-faceted and/or because existing services have not succeeded in tackling it.

For example, imagine a decision has been taken to develop employment and training-based services as an alternative to custody for young offenders. The issues involved are complicated, the problem of young offending is a long-term challenge and this kind of service has not been commissioned before. Nobody is really sure how this kind of service would work in practice or what it might cost.

Trying to buy appropriate services at this stage would involve a large amount of guesswork. It would be like trying to buy a pair of shoes without knowing what size is needed – the end result is likely not only to be a bad fit, but also a waste of money.

By taking a different approach and forming a Development Partnership of agencies with an interest and expertise in this area, commissioners could:

- Define the problem clearly across all relevant agencies
- Identify shared, strategic aims for future services
- Pilot ways to solve the problem through new services
- Shape a longer term solution based on lessons from pilots
- Develop the basis for commissioning services in the future

4.3 How do Development Partnerships work in practice?

This is how a Development Partnership could work:

Step 1: Establish the partnership

The agency that has identified the problem kicks off the process of pulling a partnership together. This involves approaching other agencies and explaining why they want to work together.

Step 2: Define the aims of the partnership

Once everyone is round the table, more work is needed to agree the rationale for the partnership. Other agencies may have more than one reason for being involved and it is critical to try to understand everyone's agenda at this stage. By the end of this process, a set of shared, strategic aims should be in place, with all partners in agreement.

Step 3: Identify resources available for testing new services

An important function of a Development Partnership is to test new approaches to solving long-term problems. This needs resources. Once the aims of the partnership are agreed, it is crucial to draw in enough resources to make the piloting of new services possible. Funding can come from the partners involved, or from external sources.

Step 4: Agree decision-making and financial arrangements

It's vital that everyone involved agrees and understands how decisions will be made within the partnership, particularly when it comes to financial decisions. One or more partner agency might be involved in managing different parts of the partnership's work and any management costs associated with this should be identified clearly and transparently.

Step 5: Commission pilot services

Once all of the basics are in place, the Development Partnership can get on with its main role – to test new services with a view to developing an informed approach to commissioning in the longer term.

Pilot services should be commissioned using appropriate methods. This might include formal tendering or it might include negotiated agreements with identified suppliers.

Step 6: Evaluate pilots

A crucial part of making a Development Partnership work is to evaluate the success or otherwise of pilots that have been commissioned. This needs to be thought about right from the start, particularly where the partnership wants to compare one approach with another. Success should be evaluated against the strategic aims identified right at the beginning of the process.

Step 7: Identify potential impact on policy

Using the lessons learned from pilot services, it should be possible to think about the potential impact on policy for all of the agencies involved. This will then help to shape future services.

Step 8: Develop long-term commissioning framework

Now that the partners involved understand what works and what doesn't, they will have a better idea about what they want to buy and can develop their commissioning framework on that basis.

4.4 What are the potential advantages?

- ✓ There is high potential for policy impact because different agencies are involved in agreeing the strategic problem, piloting solutions and evaluating the results.
- ✓ There is an opportunity to deal with multi-faceted problems by involving partners with different perspectives on the complexities involved.
- ✓ The partnership can be 'greater than the sum of its parts' by sharing resources and pooling them for collective action.
- ✓ The approach provides a framework for trying out new services within the context of collective responsibility and shared risk.
- ✓ The partnership can act as a strategic link to Community Planning.

4.5 What are the potential disadvantages?

- ✗ It takes time to test services and learn lessons from pilot services.
- ✗ It may be difficult to get shared agreement on aims at the beginning of the process.
- ✗ It can be difficult to build trust and relationships within the partnership.
- ✗ There may be hidden agendas around the table.
- ✗ Piloting services can be resource-intensive, with high up-front and development costs.
- ✗ There is a risk of new services that might fail.
- ✗ Staff changes within agencies can reduce the continuity of relationships which can have a negative impact when a long-term approach is being taken.

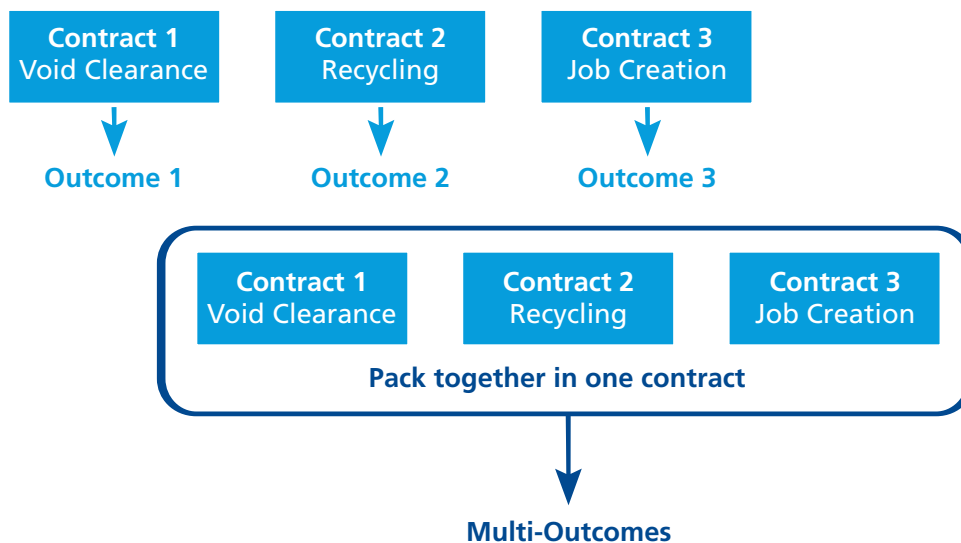
4.6 What factors will influence success?

- Ensuring clarity of roles within the partnership.
- Ensuring clarity of aims for the partnership.
- Taking a strategic approach and sticking to this.
- Developing a shared understanding of the nature of the problem.
- Political will to tackle the problems (particularly where policy impact is desired).
- Having a strong lead partner to drive the process.
- Having finances available to test services.
- Taking a long-term approach and being patient.

CHAPTER 5 MULTIPLE OUTCOMES COMMISSIONING

5.1 What does Multiple Outcomes Commissioning mean?

Multiple Outcomes Commissioning is when a public body achieves more than one of its desired outcomes from one commissioning process, by joining up purchasing decisions across departments.



5.2 When can this approach be used?

This approach can be used in situations where spending is already taking place on several services, where those services have the potential to complement each other, but where they are currently commissioned separately. By getting relevant departments to collaborate at the beginning of the commissioning process, multiple outcomes can be achieved within one contract or service level agreement. This might involve looking at how procurement of **goods** can be aligned with commissioning services for **people**.

For example, local authorities generally spend significant amounts of money on services to clear void properties. This work creates employment opportunities for local people, particularly in entry-level positions. At the same time, many local authorities spend significant amounts on services to support people with mental health problems into training and employment.

In most authorities, the two departments never think about how they could meet each other's needs. But by getting the housing management department and the social work department to collaborate, multiple outcomes could be achieved with one joined-up approach. They could come together to commission a void clearance service which integrates supported training and employment for people with mental health problems. The local authority as a whole gets two key outcomes from one commissioning exercise – empty homes cleared and better access to employment for people with mental health problems.

5.3 How does Multiple Outcomes Commissioning work in practice?

This is how Multiple Outcomes Commissioning could work:

Step 1: Identify strategic outcomes

The body concerned needs to understand what kind of impact it wants to have at a strategic level. This then provides the framework for looking at how the services it commissions could work more effectively together to contribute to this 'bigger picture'.

Step 2: Identify services with potential to add value to each other

Not all services will immediately be able to join up and be commissioned using a collaborative approach. Some will be easier to do than others. For example, if a health board has a strategic aim of increasing uptake of healthy eating options, it would be sensible to look at how any catering services it commissions can contribute to that aim. Similarly, if a local employment services agency has a strategic aim of reducing unemployment, it could look at how the services it commissions creates training and employment opportunities for its clients.

Many other examples can be found. The key is to start thinking differently about how services that are already being commissioned can contribute more to strategic aims.

Step 3: Create incentives for Department Heads to deliver against strategic outcomes

To make this approach work in practice, there needs to be an incentive for departmental heads to work together and join up their spending with the overall strategic aims of the agency.

These incentives will vary from agency to agency but could include performance indicators and targets for departmental heads which relate directly to the agency's overall strategic objectives, rather than departmental targets.

5.4 What are the potential advantages?

- ✓ There is the potential to 'kill two birds with one stone'.
- ✓ Existing resources can be made to go further.
- ✓ The wider impact of single spending decisions can be demonstrated and valued in a systematic manner.
- ✓ The approach aligns with an increasing focus on demonstrating impact on strategic objectives for public services.

5.5 What are the potential disadvantages?

- ✗ It can be difficult to change the 'silo' culture within authorities.
- ✗ Work needs to be done to change the existing nature of performance incentives for Department Heads.
- ✗ It may be difficult for two or more Departments to understand each other's needs.

5.6 What factors will influence success?

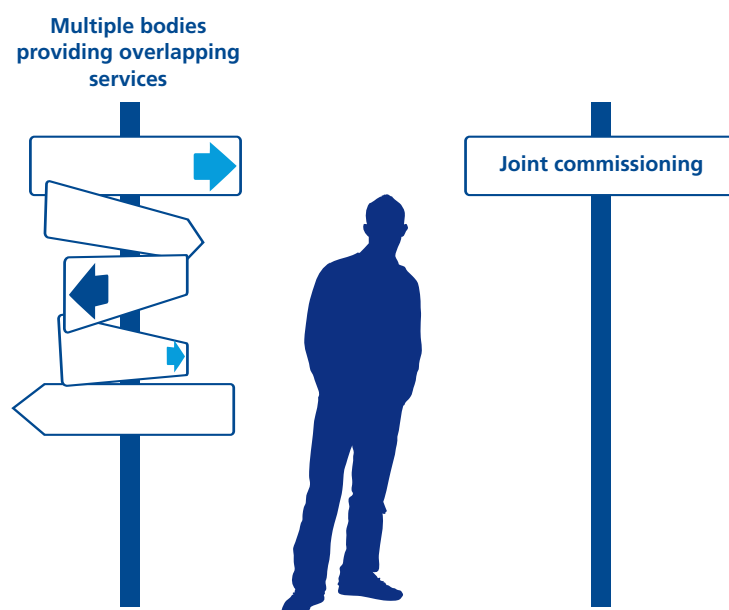
- Political will to change internal culture.
- Leadership from the top to drive through change.
- Incentives for Department Heads to work together.
- Matching of incentives to overall outcomes desired.
- Setting clear targets and making sure these are followed up.

CHAPTER 6 PARTNERSHIP PURCHASING

6.1 What does Partnership Purchasing mean?

Partnership Purchasing is when two or more public bodies collaborate to purchase services for individuals as an integrated package. Each agency contributes resources in return for the outcomes it wants to buy on behalf of the individual.

In the health and social care fields, this approach is commonly referred to as Joint Commissioning.



6.2 When can this approach be used?

This approach is suitable for situations where public bodies are purchasing services for people with complex, multiple and overlapping needs who may be 'bouncing around the system' from one service to another.

For example, young people leaving care have been identified as being at a high risk of unemployment, becoming homeless, developing addiction problems, developing mental health problems and developing a pattern of offending behaviour.⁶ Although this does not mean that every young person leaving care will end up in these situations, there is strong evidence to suggest that these risk factors are inter-related and often combine so that if one happens, the others follow. The end result is that the person develops an ever more complex set of support needs and comes into contact with an ever wider range of public services.

⁶ Similar links have been identified in other situations, including people leaving prison, people who have experienced homelessness, young people who are NEET (not in education, employment or training) and people with severe and enduring mental health problems.

The costs of providing all of the services that an individual in this situation might use over the course of several years are significant and can involve a raft of different commissioning bodies, including criminal justice agencies, social work departments, health boards, local addiction services and local employment services.

Partnership Purchasing would involve the various public bodies who provide services for individuals with multiple needs, coming together to work out how to commission appropriate services to tackle some of the underlying causes.

For example, there is evidence to suggest that providing supported training and employment for young people at the point of transition from care to independent living can help to reduce the future risks of homelessness, addiction, offending behaviour and mental health problems, reducing the costs of providing services in the long run. This kind of intervention is expensive and no single agency, in the current commissioning climate, is prepared to bear the costs. Partnership purchasing would turn this on its head and allow commissioners to contribute jointly to the costs, based on the likely savings to their budgets in the longer term.

6.3 How does Partnership Purchasing work in practice?

Partnership Purchasing is essentially an extension of current practice in Joint Commissioning of health and social care services.

According to the Joint Improvement Team, which was established in late 2004 to work directly with local health and social care partnerships across Scotland, the following range of activities are involved in Joint Commissioning:

- Needs assessment
- Financial planning
- Working in partnership with key stakeholders, including users and carers and service providers
- Planning innovative services
- Effective review and redesign of services.⁷

Taking this as a starting point, this is how Partnership Purchasing could work in practice:

Step 1: Identify lead partner

For ease of management one commissioning body should act as lead partner. They will need to liaise with other partners, co-ordinate the commissioning process and be the key point of contact for suppliers.

Step 2: Agree desired outcomes

It is critical that each partner is as explicit as possible about the outcomes they are looking for. Discussion will be needed about how these outcomes overlap and how a particular intervention will contribute to each partner's desired outcomes. This might involve partners taking time to understand each other's perspectives and developing a more rounded understanding of the range of impacts of a particular service.

⁷ www.jitScotland.org.uk

Step 3: Agree resource contributions

Once the desired outcomes have been agreed, each partner will need to contribute resources accordingly. This stage may involve negotiations around levels of contributions from each partner. The long-term benefits of the service should be kept in mind and as much work as possible should be done to understand how the service could lead to longer term savings.

Step 4: Commission service

Services should be commissioned according to clear criteria which make explicit the range of outcomes that the partnership is looking for from the provider.

Step 5: Measure and report on impact achieved

It will be crucial that each partner can understand how the service, once it is being delivered, is helping to reach their desired outcomes (or not, as the case may be). Putting in place appropriate systems to record and evaluate information which tells the full story will need careful thought at the beginning of the process and ongoing co-ordination.

6.4 What are the potential advantages?

- ✓ This approach focuses on tackling the root causes of individual needs instead of 'symptoms'.
- ✓ It enables a focus on meeting complex needs in a joined-up way.
- ✓ It can help prevent people from 'bouncing around the system'.
- ✓ This should lead to longer term savings to public purse because of the focus on prevention.
- ✓ Commissioners can add value to each other's budgets by joining forces to meet the needs of individuals.

6.5 What are the potential disadvantages?

- ✗ It is difficult to know what interventions will actually work in the long term.
- ✗ There are high up-front costs of services to individual budgets.
- ✗ Culture change is needed to develop a collective approach across different services.
- ✗ Where there is a lack of statutory requirement to provide services, there is a lack of incentive to do so.

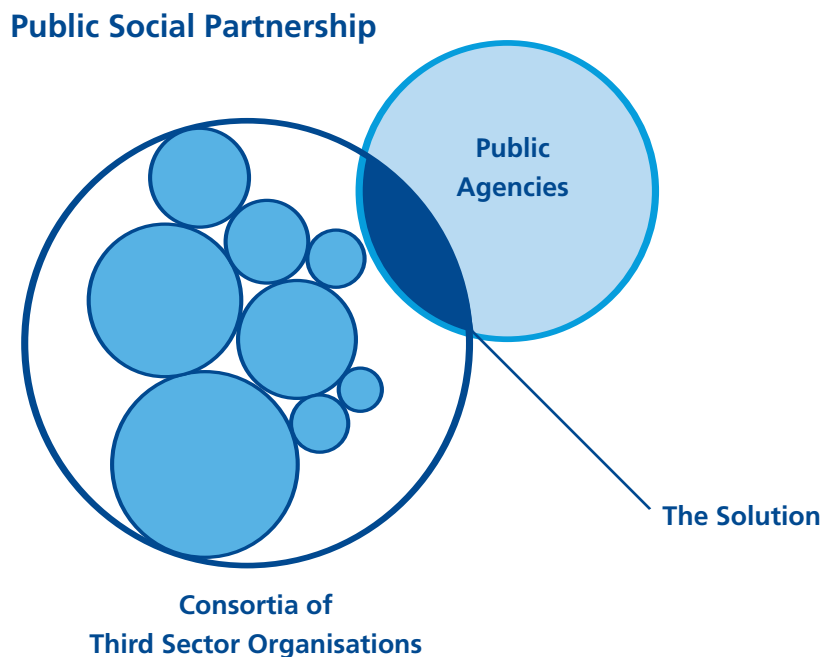
6.6 What factors will influence success?

- Political will to change culture.
- Leadership to drive through change.
- Incentives for public bodies to work together.
- Evidence for which interventions will work.
- Evidence of long term cost savings.

CHAPTER 7 PUBLIC SOCIAL PARTNERSHIPS

7.1 What is a Public Social Partnership?

A Public Social Partnership is formed when the public and social economy sectors are both involved in co-planning the development, design and delivery of services with a view to improving outcomes for users of services.



7.2 When can this approach be used?

This approach is suitable for situations where the public sector is looking to commission a new service and wants to do this in a way that involves service users in the shaping and design of the project.

Public Social Partnerships recognise and value the contribution that third sector organisations can make to the service design process through their close relationships with service users. By giving the third sector an equal role in planning, alongside the public sector commissioner, services can be designed with the needs of service users at the forefront of the process. Pilot services are then trialled with a consortium of third sector providers, with a view to identifying how the service works in practice and how much it costs. The service that emerges from this process is then commissioned for the longer term using a competitive tendering process.

A programme of pilot Public Social Partnerships has been tested in Scotland through the work of the EQUAL Social Economy Scotland partnership. A full report on the lessons learned from these experiences is available.⁸

7.3 How do Public Social Partnerships work in practice?

This is how Public Social Partnerships could work:⁹

Step 1: Define the problem and identify a solution

Lets assume that organisations from the public and third sectors have agreed to work together to design and pilot a proposed service on the understanding that the resulting service will go out to tender. The first stage in the process is to agree, in partnership, the exact nature of the problem that the service is trying to tackle, as well as the proposed solution. There may be debate and discussion around this issue, and it is critical that nothing else happens until all concerned are clear about what the Public Social Partnership is in place to do. It is also important that appropriate design partners are identified through an open process.

Step 2: Communicate and get buy-in

It is important that the public sector agency involved gets cross-departmental buy in to the process, as well as 'vertical' buy in from those in positions of influence throughout the commissioning cycle.

In particular, commissioners will need to make sure that procurement staff are involved at an early stage and understand the business case for designing services using a Public Social Partnership approach.

Third sector partners will need to communicate clearly with each other, particularly if they are planning to form a consortium to deliver pilot services.

Step 3: Service design

The next stage is to design the scope and nature of a pilot service. The partners need to establish a forum in order to come together to shape the service through collaborative dialogue. This 'service design group' sits at the heart of a co-planning approach and is a key vehicle for engaging potential service users in the design of the service.

Alongside this group, the public body should form a working group of relevant internal departments to ensure communication is ongoing, while the third sector partners should be putting in place plans for the operational management of any service delivery.

Step 4: Delivery of pilot service

Here, the third sector partners could work as a consortium to deliver services as agreed in step 3, while the public sector partners move into a contract management and evaluation role. Particular focus needs to be placed on understanding how the pilot service is delivering against the social objectives set out in the early stages of the process.

⁸ Public Social Partnerships: Lessons Learned, www.socialeconomyscotland.info

⁹ Adapted from report cited above.

Public Social Partnerships have been piloted in Scotland through the work of the EQUAL Social Economy Scotland partnership, with the support of the Scottish Government. These pilots have been adapted from the Italian model of co-planning of services, with delivery through consortia of third sector organisations. It is not necessarily the case that a Public Social Partnership has to involve a consortium of delivery organisations, but guidance is available on the issues involved in this¹⁰.

Step 5: Roll out of service

Following the pilot delivery of the service, the public sector body should be in a position to tender for delivery of the service in the longer term. The consortium of third sector providers may or may not win this contract.

ROAR PSP (Reaching Older Adults in Renfrewshire)

At Renfrewshire Council for Voluntary Services (RCVS) we support third sector organisations in Renfrewshire. We are the lead partner of ROAR, a Public Social Partnership (PSP). PSPs are a new way of designing and delivering public services. The PSP approach was used to provide a befriending service for older adults and make the most effective use of resources. We brought together a range of organisations that had expertise in different aspects of care for older people, in partnership with the Local Authority.

The issues

- Older people are often isolated in their homes and this affects their self-confidence, health and well-being. The local authority wanted to develop a low-level early-intervention service that improved well-being and reduced likelihood of residential care in the longer term.
- Third sector organisations in the locality had contact with older people but were short of resources in terms of assisting to develop the service.
- The officers who commission services often do not understand the benefits of working with the third sector.
- Third sector organisations do not always feel in a strong position to compete for contracts.

What we did

RCVS took the lead role in managing the process and providing staff to support the development. A Development Officer was appointed.

They were responsible for co-ordinating and supporting the organisations involved in the PSP. It has taken just over 18 months to get the service up and running. It has taken that time to get common areas of agreed principle, identify the services needed, draft the service specification, design the strands of service to meet these needs and develop the consortia to deliver the pilot project

¹⁰ Developing Consortia, www.socialeconomyscotland.info

The pilot services the PSP designed were:

- Sunday Hosting Group – a network of volunteers who invite older people to have Sunday lunch with them in their homes once a month.
- Friendship Group – an informal meeting place where volunteers provide tea and cakes, friendship, and company.
- Transport Service - volunteers provide a transport service for older people to and from medical appointments.
- Face to Face Befriending - volunteers visit older people in their own homes for an hour a few times a week.

Lessons learned

- It takes a long-time to build an effective PSP.
- At the beginning it is essential to spend time on building the PSP, understanding the organisations involved, agreeing shared values and respecting their differences. This builds a solid foundation for the hard work ahead.
- It is important, from the beginning, to be clear about the kind of the service to be delivered and the finances needed to deliver it.
- It is also critical to have potential service users involved.
- A good development officer is essential and plays an important neutral role as facilitator, negotiator and co-ordinator of all PSP activities.
- The size and capacity of organisations involved in PSPs are likely to vary. Some organisations may need additional support to be able to participate as fully as other organisations.
- The PSP model can work and does provide third sector organisations with the opportunity to be involved in larger contracts.

Next Steps

Following the pilot project, the service will be put out to tender. The consortia will now tender to deliver the service.

Janis Macdonald – Renfrewshire CVS

7.4 What are the potential advantages?

- ✓ Improved relationships between public sector commissioners and third sector providers.
- ✓ Involvement of service users in design process, leading to a more holistic service and potential efficiency gains.
- ✓ Increased capacity of third sector providers for longer term delivery.
- ✓ Potential to redesign existing grant-funded services into contractual arrangements.

7.5 What are the potential disadvantages?

- ✗ Culture differences between public sector and third sector can make partnership working difficult.
- ✗ Changing roles throughout process as third sector providers move into delivery of service and public sector moves into contract management.
- ✗ Potential for negative impact on relationships if third sector providers do not win contract after pilot delivery.

7.6 What factors will influence success?

- Development support to facilitate discussions and partnership development.
- Strong commitment from all parties.
- Clearly defining the 'problem' and corresponding solution.
- Keeping communication between all parties going throughout the process.

CHAPTER 8

CLOSING COMMENTS

This paper has discussed new approaches to commissioning services for people. These approaches explore and bring to life different dimensions to the established principle of collaboration in commissioning. A number of key points underpin the approaches discussed.

- Buying services for people is not the same as buying goods. This is particularly the case where people have multiple, complex and overlapping needs. In these situations, a level of creativity is needed to ensure commissioning of services is leading to the right outcomes for the users of services. Different forms of collaboration can help.
- Collaborative approaches can be seen as part of an 'invest to save' approach. Although difficult and complicated work is needed at an early stage to commission services which focus on achieving long-term outcomes, savings could be achieved in the long run by collaboration.
- Collaborative approaches need to be underpinned by the principle of equality. People who use services and organisations which deliver services need to be seen as equal partners in the commissioning process if collaboration is to be successful. This approach enables risks and benefits to be shared by all.
- Innovation in the delivery of public services can be achieved by collaboration, as outlined in this paper. Turning the commissioning of services inside out, and thinking through how to break down existing barriers through increased collaboration, can radically change the impact achieved.

Resources are being made available to support the development of social enterprises and other third sector organisations. To achieve long-term impact, we believe there is merit in channelling some of these resources into a test programme of new approaches to collaborative commissioning.

In conclusion, collaborative commissioning of services for people is at an early stage of development. Effort and resources will be needed to develop some of the approaches we have suggested from idea to reality. If the end result is a significant improvement in the quality of outcomes achieved for people, this will be effort well expended.

TERMINOLOGY

For clarity throughout the guide the following terms are used

Best Value – Best Value is a formal requirement for all local authorities. Best Value was introduced to ensure continuous improvement in the performance of public services. It encourages consideration of what services should be delivered according to local need, an options appraisal of the most appropriate way to deliver those services to meet the identified need, sound management of resources (economy, efficiency and effectiveness) while maintaining an appropriate balance between quality, cost, achieving equalities and sustainable development. Although specific guidance and a statutory framework for Best Value are provided by the Local Government in Scotland Act 2003 it is recognised that the principles of Best Value are applicable across the whole of the public sector.

Commissioning – Commissioning is the strategic function of identifying priorities and outcomes, assessing the needs of people in an area or the requirement for goods or services by a public agency, allocating resources and then designing and securing the appropriate goods or services.

Community Benefit Clauses – Community Benefit Clauses are a subset of Social Clauses which enable the requirement for particular community benefits (e.g. targeted recruitment and training) to be built into the delivery of contracts. To comply with the policy and legal framework, the community benefit requirements must be part of the core purpose of the contract and must provide a benefit to the commissioning agency. Community benefit clauses should be supported by strategic documents such as Community Plans.

Contract – A contract is the term used to describe a legally binding agreement between a purchaser and a supplier for the supply of goods, services or works.

Development Partnership – A Development Partnership is formed when a range of partners, from different sectors, come together to tackle problems through a long term, shared and strategic approach to identifying, testing, resourcing and rolling out new services.

Full Cost Recovery – Full cost recovery refers to an organisation recovering the full cost associated with providing a service or other output. It is a widely accepted accountancy principle. Full cost recovery is broadly interpreted to mean the total cost of all the resources used in supplying a service, including the direct costs of producing the output, a full proportional share of overhead costs and any selling and distribution expenses. Both cash costs and notional (non-cash) costs should be included, including depreciation, inflation and finance charges.

Joint Commissioning – Joint Commissioning is the process when two or more commissioning agencies act together to co-ordinate their commissioning, taking joint responsibility for translating strategy into action.

Multiple Outcomes Commissioning – Multiple Outcomes Commissioning is when a public body achieves more than one of its desired outcomes from a single commissioning process which joins up purchasing decisions across departments.

Outputs – Outputs are the direct and tangible products resulting from the activity, such as people trained, trees planted, services delivered and products sold.

Outcome – Outcomes are the changes that happen because of an activity. They usually refer to movement of some kind, for example increasing, improving or reducing.

Partnership Purchasing – Partnership Purchasing is an extension of Joint Commissioning where two or more public bodies collaborate to purchase services for individuals as an integrated package. Each agency contributes resources in return for the outcomes it wants to buy on behalf of the individual.

Procurement – Is the whole process of purchasing by the public sector from third parties covering goods, services and capital projects. The process spans the whole-life cycle from initial concept through to the end of the asset or the end of a services contract.

Public Sector Business/Public Procurement Market/Public Service Contracts/Public Service Markets – These terms are used interchangeably to describe the broad range of commercial contracts that are offered by the public sector.

Public Social Partnership (PSP) – The shared responsibility for the delivery of public services by social economy organisations and the public sector is referred to as Public Social Partnership (PSP).

Social Added Value – Social added value describes the benefits a business or organisation provides in terms of its social and environmental impact.

Social Clauses – Clauses that can be included in the procurement process that allow social and environmental considerations to be included in the contract specification and used in the selection and award procedures, where the considerations are relevant to the subject matter of the contract.

Social Enterprise – A social enterprise is an organisation that trades in the market for an explicit social purpose. Social enterprises are assumed to have three distinct characteristics: they have a clear social aim, they are socially owned (non-profit distributing) and they have an enterprise orientation where greater than 50% of their turnover is derived from sales or contracts.

Value for Money (VfM) – Value for money is defined as the optimum combination of whole-life cost and quality (or fitness for purpose) to meet the user's requirement.⁶

ACKNOWLEDGEMENTS

This discussion paper was produced by Forth Sector Development, a specialist social enterprise development agency which operates as part of Forth Sector. Forth Sector is one of the leading social enterprises in Scotland, running a portfolio of small businesses which create supported employment opportunities for people with mental health problems.



Collaborative Commissioning was commissioned by the EQUAL Social Economy Scotland Development Partnership in partnership with the Scottish Government Third Sector Division.



Collaborative Commissioning has been produced as part of the EQUAL Programme. The Social Economy Scotland Development Partnership is part-funded through the EQUAL Programme. The Development Partnership involves:

- Careers Scotland
- Communities Scotland (Scottish Centre for Regeneration)
- Forth Sector
- Highlands and Islands Enterprise
- North Lanarkshire Council
- Scottish Council for Voluntary Organisations (Lead Partner)
- Scottish Enterprise
- Scottish Government (Third Sector Division)
- Scottish Social Enterprise Coalition
- Social Firms Scotland
- Social Investment Scotland
- Volunteer Development Scotland

Social Economy Scotland works in partnership (nationally and transnationally) to support the social economy to increase its role in the delivery of innovative, high quality services, thereby enhancing its contribution to community regeneration, sustainable economic development and labour market integration in Scotland. To support this aim, Social Economy Scotland has funded a range of pilot projects under the following themes: Public Social Partnership; Access to Finance; Quality and Impact; Business Development and Raising the Profile.

For more information see www.socialeconomyscotland.info

THANKS

The authors would like to thank the numerous organisations and individuals that participated in the roundtable discussions on the good practice principles of commissioning and developing collaborative approaches.

Disclaimer

The information herein has been provided for general use only and while measures have been taken to ensure that the information is accurate and up-to-date, none of the above individuals or organisations is liable for any use that may be made of this information nor can they be held responsible for any errors resulting from the use of this information.

The views expressed are those of the authors and do not represent the views of either Social Economy Scotland or the Scottish Government.

NOTES



This guide has been part funded by the European Union EQUAL programme.
The EQUAL Social Economy Scotland Mainstreaming Partnership involves:



Social Economy Scotland works in partnership to support the third sector to increase its role in the delivery of innovative, high quality services, thereby enhancing its contribution to community regeneration, sustainable economic development and labour market integration in Scotland. To support this aim, Social Economy Scotland has funded a range of pilot projects under the following themes: Public Social Partnership and Procurement; Access to Finance; Quality and Impact; Business Development and Raising the Profile. For more information see www.socialeconomyscotland.info